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March 10, 2006

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

MAR 10 2006

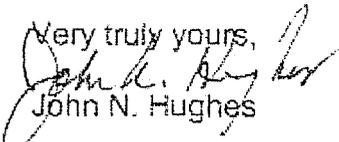
PUBLIC SERVICE
COMMISSION

Case No. 2005-00148

Dear Beth:

Northern Kentucky Water District files its responses to the Staff's document requests made at the hearing held on February 28th. The only remaining item to be supplied is the final rate case expense compilation, which will be filed on or before March 20th. A copy of this response has been delivered to the Attorney General's Office of Rate Intervention.

If there are any questions about this, please contact me.

Very truly yours,

John N. Hughes

Attorney for Northern Kentucky
Water District

Attachments

Responses to Commissions request for additional information at the hearing of February 28, 2006.

Witness: Ross

Q1. 2005 BAN Interest Rate

A1. Please see Tab A

Q2. Purpose 2006 BOND amortization schedule revised with current interest rate

A2. Please see Tab B

Witness: Barrow

Q1. Copy of Judge-Executives appointments for legal services from Jack Hughes.

A1. In Case No. 2002-00105, the Commission asked about legal service approval of the Co. Judge. The District responded on July 29, 2002, item 12 with copies of letters authorizing Charles Pangburn to act as counsel for the District. Mr. Hughes was representing the district in the rate case. No other questions about legal representation were raised and all legal fees were approved.

In Case No. 2003-00224, no questions were asked about legal representation and all legal fees were approved. In the current case, the District provided the letters from the County Judges approving Mr. Pangburn as counsel for the District. As in prior cases, Mr. Hughes represents the District in the rate case. Because the legal representation in this case is the same as in prior cases, the District believes that it has complied with all requirements for retaining legal services and for recovering the fees associated with the legal work in the calculation of revenue requirements.

It should be noted that the District is authorized to employ attorneys or other consultants necessary for the performance of the operations of the District. See KRS 74.040. Just as the District has employed other specialists to assist in the preparation and filing of the rate case, it has done so with legal counsel. The function of Mr. Pangburn as counsel for the District in all routine legal matters is distinguishable from the limited legal services provided by Mr. Hughes.

Based on the statutory authority and the Commission's prior recognition of the compliance with all statutory requirements for obtaining legal services, the District believes it has complied with all requirements. Letter Attached as Tab C

Q2, Current number of customers by class.

A2. CURRENT NUMBER OF CUSTOMERS BY CLASS:

Account Type	
Commercial – Monthly	61
Commercial – Quarterly	4,394
Industrial – Monthly	1
Industrial – Quarterly	121
Multi Family – Monthly	35
Multi Family – Quarterly	1,506
PA/Government – Monthly	16
PA/Government – Quarterly	461
Residential – Monthly	2,266
Residential – Quarterly	70,016
Grand Total	78,877

Q3. 1st Month of amortization of case 2002-00105 rate case expenses and expected date of completed amortization.

A3. The District began amortizing the expenses of Case 2002-00105 in July 2003. The final write off is July of 2006.

Q4. Identify the rate case for each legal expense. . If any expenses are for case 03-224, explain why they are being expensed.

A4. The items expensed were from bills containing multiple activities some being rate case related items that were properly allocated to an asset to be amortized and the items on the schedule that were activities that were properly expensed. The descriptions were taken from our accounting system that combined all the activities for the particular bill.

Q5. Describe “lobbying” expense related to federal grants.

A5. These services are not lobbying for legislation, but services to find any type of Federal grants for water projects.

Q6. Provide final rate case expenses.

A6. To be supplied within 10 days.

Q7. Provide details of part time employee insurance coverage and part time employee contribution versus full time employee.

A7. The District covers the total cost of a single plan. The (Full-Time) employee is responsible for 20% of the premium between the cost of a single coverage and the plan elected. Example: if the employee selects a family plan, then they are responsible for 20% of the premium over the cost of the single plan.

If a part-time employee works more than 20 hours per week, the part-time employee is entitled to Health Insurance at an additional cost of 33% of the amount of the 20%. The part-time is only offered Health insurance and no other benefits at District Cost.

Witness: Harrison

Q1. Revised sub district schedule in PSC staff exhibit 1 format for 2005 year end customers and revenue.

A1.

	Cust. Level as of <u>12/31/2005</u>	2006 <u>Surcharge</u>	<u>Surcharge Collections</u>	
			<u>Monthly</u>	<u>Annually</u>
Sub-District A	509	\$9.84	\$5,009	\$60,103
Sub-District B	269	\$19.46	\$5,235	\$62,817
Sub-District C	902	\$20.33	\$18,338	\$220,052
Sub-District D	132	\$30.00	\$3,960	\$47,520
Sub-District E	166	\$30.00	\$4,980	\$59,760
Sub-District K	6	\$30.00	\$180	\$2,160
Sub-District R	233	\$18.89	\$4,401	\$52,816
Sub-District RF	28	\$25.47	\$713	\$8,558
Sub-District RL	87	\$37.50	\$3,263	\$39,150
			<u>\$46,078</u>	<u>\$552,936</u>

Q2. Current number of customers in Sub District K.

A2. Sub-District K connections as of 2/28/06 = 8

Q3. During the year of 2004 how many instances where there of non-notice of fire system usage.

A3. There is no data available do to the switching to a new billing system. However the district feels the number is about the same as 2005

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Q4. Number of gallons used for non-noticed fire protection for 04/05 and how it was calculated.

A4. Number of gallons used for non-noticed fire protection for 2005 was 23,853.72 gallons

Calculation: 3189(hcf) x 7.48 = 23,853.72

No data is available for 2004 do to switching of billing systems.

Witness: Howe

Q1. COS schedules affected by new customer projections and weather normalization adjustment.

A1. The impact of new customer projections and weather normalization to usage and account detail provided in Schedule 13 of Exhibit N is illustrated below.

Estimated Impact to Units and Accounts Data in Schedule 13

Northern Kentucky Water District
Rate Case No. 2005-00148

Customer Class	Rate Case Base Assumptions ccf	Impact to Base Case Due To		Rate Case Base Assumptions accounts	Impact to Base Case Due To	
		Eliminating Growth ccf	Eliminating Weather Normalization ccf		Eliminating Growth accounts	Eliminating Weather Normalization accounts
Retail						
Monthly						
Residential/Multi Family	227,500	0	0	2,031	0	0
Commercial	50,700	0	0	42	0	0
Industrial	196,800	0	0	4	0	0
Public Authority	388,100	0	0	20	0	0
Total Retail Monthly	863,100	0	0	2,097	0	0
Quarterly						
Residential/Multi Family	7,495,429	(93,600)	(707,000)	71,708	(900)	0
Commercial	1,884,800	0	0	4,263	0	0
Industrial	797,100	0	0	113	0	0
Public Authority	395,600	0	0	440	0	0
Total Retail Quarterly	10,572,929	(93,600)	(707,000)	76,523	(900)	0
Total Retail	11,436,029	(93,600)	(707,000)	78,620	(900)	0
Wholesale						
Bullock Pen	106,700	0	0	1	0	0
City of Walton	208,800	0	0	1	0	0
Pendleton County Water Di	110,500	0	0	1	0	0
Total Wholesale	426,000	0	0	3	0	0
Fire Protection						
Public	0	0	0	0	0	0
Private	0	0	0	432	0	0
Total Fire Protection	0	0	0	432	0	0
Total System	11,862,029	(93,600)	(707,000)	79,054	(900)	0

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Several schedules would be affected by a change in either the growth in accounts or the weather normalization adjustment. A list of each schedule affected in Appendix C of Exhibit N, with a general indication of impact, is presented below.

Description of Schedules Impacted by Reduction in Growth or Weather Normalization Assumptions
Northern Kentucky Water District
Rate Case No. 2005-00148

Schedule	Description	Impact from reduction in	
		Growth	Weather Normalization
1	Summary of Test Year Revenue Requirements	Decrease in revenues at current rates	Decrease in revenues at current rates
7	Test Year Revenues Under Current Rates	Decrease in revenues at current rates	Decrease in revenues at current rates
13	Test Year Units of Service	Decrease in units	Decrease in Res/MF usage
13.1	Test Year Number of Bills and Equivalent Meters	Decrease in units	N/A
13.3	Volume and Average Number of Accounts	Decrease in units	Decrease in Res/MF usage
13.4	Test Year Weather Normalization Adjustment	N/A	Decrease in adjustment
14	Test Year Unit Cost of Service	Decrease in units	Decrease in retail usage
15	Distribution of Costs to Customer Classes	Decrease in units / Shift in cost recovery	Decrease in retail usage / Shift in cost recovery
15.1	Adjusted Cost of Service Allocation to Customer Classes	Shift in cost recovery	Shift in cost recovery
16	Proposed Rates	Increase in proposed rates	Increase in proposed rates
16.1	Development of Service Charge	Increase in unit cost	N/A
16.2	Development of Commodity Charge	Increase in cost of service rate	Increase in cost of service rate
16.3	Development of Revenues from Service Charge	Increase in rates	N/A
16.4	Development of Block Rates	Increase in rates	Increase in rates
17	Comparison of Revenues under Existing Rates and Allocated Cost of Service	Shift in cost recovery	Shift in cost recovery
17.1	Revenue under Existing Rates	Decrease in units	Decrease in Res/MF usage
18	Comparison of Revenues under Proposed Rates and Allocated Cost of Service	Shift in cost recovery and proposed revenue	Shift in cost recovery and proposed revenue
18.1	Revenue under Proposed Rates	Decrease in units / Increase in rates	Decrease in Res/MF usage / Increase in rates
19	Comparison of Typical Water Bills under Existing and Proposed Rates	Increase in proposed rates	Increase in proposed rates

Q2. Response to PSC 80(b) and Schedule B-4 - provide correct adjustment factor.

A2. The weather normalization factor documented in the District's Responses to PSC Data Request of 7-29-2005, Answer 80 is correct. The weather normalization adjustment of 15 Ccf indicated in Schedule 13.4 was erroneous.

Q3. PSC response 77- provide source of average and website

A3. As indicated in the District's Responses to PSC Data Request of 7-29-2005, Answer 77, the source of the rainfall data is the University of Kentucky Agricultural Weather Center. The web site address is <http://www.agwx.ca.uky.edu/cgi-public/climsum2.ehtml>. This information was used to distinguish years in recent history that experienced regional precipitation levels that were normal to near-normal, allowing for comparisons of residential consumption during both wet and normal periods of rainfall.

Q4. Provide list of utilities used in demand study and compare to list used in previous cases.

A4. In lieu of a demand study, for reasons noted during the hearing and in prior testimony, we have used the same peaking factor benchmarking data in the Rate Case 2005-00148 as has been used in the conduct of the 2002 and 2003 Rate Cases. The benchmarked communities include Cincinnati, OH; Columbus, OH; Louisville, KY; Bloomington, IN; and Middletown, OH. Please reference the District's Responses to PSC Data Request of 7-29-2005, Answer 83(c) for additional discussion.

Northern Kentucky Water Service District

Revenue Bond Anticipation Notes

Series 2005

Exhibit A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
11/01/2005	-	-	277,566.25	277,566.25
05/01/2006	-	-	292,175.00	292,175.00
11/01/2006	-	-	292,175.00	292,175.00
05/01/2007	17,980,000.00	3.250%	292,175.00	18,272,175.00
Total	\$17,980,000.00	-	\$1,154,091.25	\$19,134,091.25

Yield Statistics

Bond Year Dollars	\$35,510.50
Average Life	1.975 Years
Average Coupon	3.2500000%
Net Interest Cost (NIC)	3.2500000%
True Interest Cost (TIC)	3.2503236%
Bond Yield for Arbitrage Purposes	3.2503236%
All Inclusive Cost (AIC)	3.2503236%

IRS Form 8038

Net Interest Cost	3.2500000%
Weighted Average Maturity	1.975 Years

Northern Kentucky Water Service District

Exhibit B

Revenue Bonds
Series 2006

Sources & Uses

Dated 05/01/2006 | Delivered 05/01/2006

Sources Of Funds

Par Amount of Bonds	\$29,000,000.00
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Total Sources

\$29,000,000.00

Uses Of Funds

Total Underwriter's Discount (2.000%)	580,000.00
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Costs of Issuance	102,000.00
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Deposit to Project Construction Fund	6,703,000.00
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Discharge 2005 BANs	17,980,000.00
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Discharge 2006 Renewal Notes	3,635,000.00
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Total Uses

\$29,000,000.00

Northern Kentucky Water Service District

Revenue Bonds
Series 2006

Debt Service Schedule

Part 1 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/01/2006	-	-	-	-	-
08/01/2006	-	-	315,006.88	315,006.88	-
12/31/2006	-	-	-	-	315,006.88
02/01/2007	680,000.00	3.500%	630,013.75	1,310,013.75	-
08/01/2007	-	-	618,113.75	618,113.75	-
12/31/2007	-	-	-	-	1,928,127.50
02/01/2008	705,000.00	3.600%	618,113.75	1,323,113.75	-
08/01/2008	-	-	605,423.75	605,423.75	-
12/31/2008	-	-	-	-	1,928,537.50
02/01/2009	730,000.00	3.650%	605,423.75	1,335,423.75	-
08/01/2009	-	-	592,101.25	592,101.25	-
12/31/2009	-	-	-	-	1,927,525.00
02/01/2010	760,000.00	3.700%	592,101.25	1,352,101.25	-
08/01/2010	-	-	578,041.25	578,041.25	-
12/31/2010	-	-	-	-	1,930,142.50
02/01/2011	785,000.00	3.800%	578,041.25	1,363,041.25	-
08/01/2011	-	-	563,126.25	563,126.25	-
12/31/2011	-	-	-	-	1,926,167.50
02/01/2012	820,000.00	3.900%	563,126.25	1,383,126.25	-
08/01/2012	-	-	547,136.25	547,136.25	-
12/31/2012	-	-	-	-	1,930,262.50
02/01/2013	850,000.00	3.950%	547,136.25	1,397,136.25	-
08/01/2013	-	-	530,348.75	530,348.75	-
12/31/2013	-	-	-	-	1,927,485.00
02/01/2014	885,000.00	4.000%	530,348.75	1,415,348.75	-
08/01/2014	-	-	512,648.75	512,648.75	-
12/31/2014	-	-	-	-	1,927,997.50
02/01/2015	920,000.00	4.100%	512,648.75	1,432,648.75	-
08/01/2015	-	-	493,788.75	493,788.75	-
12/31/2015	-	-	-	-	1,926,437.50
02/01/2016	960,000.00	4.200%	493,788.75	1,453,788.75	-
08/01/2016	-	-	473,628.75	473,628.75	-

Northern Kentucky Water Service District

Revenue Bonds

Series 2006

Debt Service Schedule

Part 2 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/31/2016	-	-	-	-	1,927,417.50
02/01/2017	1,000,000.00	4.250%	473,628.75	1,473,628.75	-
08/01/2017	-	-	452,378.75	452,378.75	-
12/31/2017	-	-	-	-	1,926,007.50
02/01/2018	1,045,000.00	4.300%	452,378.75	1,497,378.75	-
08/01/2018	-	-	429,911.25	429,911.25	-
12/31/2018	-	-	-	-	1,927,290.00
02/01/2019	1,090,000.00	4.350%	429,911.25	1,519,911.25	-
08/01/2019	-	-	406,203.75	406,203.75	-
12/31/2019	-	-	-	-	1,926,115.00
02/01/2020	1,140,000.00	4.400%	406,203.75	1,546,203.75	-
08/01/2020	-	-	381,123.75	381,123.75	-
12/31/2020	-	-	-	-	1,927,327.50
02/01/2021	1,190,000.00	4.450%	381,123.75	1,571,123.75	-
08/01/2021	-	-	354,646.25	354,646.25	-
12/31/2021	-	-	-	-	1,925,770.00
02/01/2022	1,245,000.00	4.450%	354,646.25	1,599,646.25	-
08/01/2022	-	-	326,945.00	326,945.00	-
12/31/2022	-	-	-	-	1,926,591.25
02/01/2023	1,305,000.00	4.500%	326,945.00	1,631,945.00	-
08/01/2023	-	-	297,582.50	297,582.50	-
12/31/2023	-	-	-	-	1,929,527.50
02/01/2024	1,365,000.00	4.500%	297,582.50	1,662,582.50	-
08/01/2024	-	-	266,870.00	266,870.00	-
12/31/2024	-	-	-	-	1,929,452.50
02/01/2025	1,425,000.00	4.550%	266,870.00	1,691,870.00	-
08/01/2025	-	-	234,451.25	234,451.25	-
12/31/2025	-	-	-	-	1,926,321.25
02/01/2026	1,495,000.00	4.600%	234,451.25	1,729,451.25	-
08/01/2026	-	-	200,066.25	200,066.25	-
12/31/2026	-	-	-	-	1,929,517.50
02/01/2027	1,565,000.00	4.650%	200,066.25	1,765,066.25	-

Northern Kentucky Water Service District

Revenue Bonds
Series 2006

Debt Service Schedule

Part 3 of 3

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/01/2027	-	-	163,680.00	163,680.00	-
12/31/2027	-	-	-	-	1,928,746.25
02/01/2028	1,640,000.00	4.650%	163,680.00	1,803,680.00	-
08/01/2028	-	-	125,550.00	125,550.00	-
12/31/2028	-	-	-	-	1,929,230.00
02/01/2029	1,715,000.00	4.650%	125,550.00	1,840,550.00	-
08/01/2029	-	-	85,676.25	85,676.25	-
12/31/2029	-	-	-	-	1,926,226.25
02/01/2030	1,800,000.00	4.650%	85,676.25	1,885,676.25	-
08/01/2030	-	-	43,826.25	43,826.25	-
12/31/2030	-	-	-	-	1,929,502.50
02/01/2031	1,885,000.00	4.650%	43,826.25	1,928,826.25	-
12/31/2031	-	-	-	-	1,928,826.25
Total	\$29,000,000.00	-	\$19,511,558.13	\$48,511,558.13	-

Yield Statistics

Bond Year Dollars	\$433,710.00
Average Life	14.956 Years
Average Coupon	4.4987568%
Net Interest Cost (NIC)	4.6324867%
True Interest Cost (TIC)	4.6732631%
Bond Yield for Arbitrage Purposes	4.4756554%
All Inclusive Cost (AIC)	4.7086398%

IRS Form 8038

Net interest Cost	4.4987568%
Weighted Average Maturity	14.956 Years

2007 Revenue Bonds | SINGLE PURPOSE | 3/7/2006 | 2:49 PM